

+860-527-5029 ALIX YALE & RISTAS

462 P13/20 NOV 24 '03 13:20

EXHIBIT B

D

HOME IMPROVEMENT EXECUTIVE

THE NEWS NETWORK FOR INDUSTRY LEADERS

Volume 13, No. 10 • May 26, 2003

This Week

Kmart names Atteberry VP/GMM, adds L&G duties; Hunady exils.	2
BJ's 1Q sales climb 16%, to \$1.4B; net drops 51%.	2
ShopKo 1Q sales, comps off 3%; net loss \$1M, versus \$186M loss.	2
Rest. Hardware 1Q sales up 18%, comps 12%; loss narrows to \$5M.	2
Hillman 1Q sales rise 10%; posts \$4M loss on writedown.	2
INDUSTRY CALENDAR	3
SPECIAL REPORT	4
Mildew Stain Remover	
FINANCIAL NEWS	
Brookstone Inc. 1Q sales up 8%, to \$61M; net loss \$6.4M, versus \$6.5M.	50
The Clorox Co. 3Q sales flat, at \$1B; net income \$110M, vs. \$46M.	50
Pep Boys — Manny, Moe & Jack 1Q sales slip 5%, to \$529M; swings to \$9M net loss.	50
United Industries Corp. 1Q sales climb 31%, to \$179M; net income rises 32%, to \$14M.	52

Home Depot 1st-Quarter Comps Off 2%, Lowe's Flat

The Home Depot (Atlanta) reported sales for the first quarter, ended May 4, were \$15.10 billion, up 5.8%; comp-store sales slipped 1.6%. Top categories included kitchen & bath and lawn & garden, said cfo Carol Tomé. She cited a 22% gain in appliance sales, as well as strong growth from outdoor power equipment. Net income was \$907.0 million, up 6.0%. During the quarter, Home Depot opened 36 new stores, including five Landscape Supply units. It currently operates 1,568 locations and plans to open 200 in 2003. The retailer reaffirmed projected sales growth of 9% to 12% and eps gains of 9% to 14% in 2003; comps are slated to be flat to up 3%.

Lowe's Cos. Inc. (Wilkesboro, NC) posted sales for the first quarter, ended May 2, of \$7.21 billion, up 11.4%; comps were up 0.1% partly from underestimated demand for mid-range priced outdoor power equipment. Net earnings grew 21.7%, to \$421.0 million. *(Continued on page 2)*

Stanley Chmn./CEO Trani Says He'll Retire at Year's End

After announcing an aggressive plan to cut costs and lift operating margins last month, The Stanley Works (New Britain, CT) said that chmn/ceo John Trani will leave the company effective Dec. 31. Until then, he will manage its operations along with Joe DeAngelo, corporate evp and worldwide president tools group, and James Loree, cfo. DeAngelo, 41, joined Stanley in March from GE Capital's TIP/Moxulu Space leasing, rental & service business, where he was pres/ceo. Loree, 45, joined Stanley as cfo in 1990. Trani, 58, has been chmn/ceo of Stanley since December 1993. Prior to then, he was pres/ofo of GE Medical Systems from 1986 and joined GE in 1978.

The company has for a while been a revolving door for senior management, with a number of key executives departing to Newell Rubbermaid. Last month, Stanley announced it would eliminate 1,000 jobs, or 7% of its work force, and shut down nine facilities as part of efforts to achieve a 15% operating margin by the end of 2003.

For the first quarter, ended March 31, Stanley posted sales of \$666.2 million, up 8.0% on the acquisition of Best Access Systems. Net income was \$19.2 million, down 60.7%, including pre-tax charges related to inventory losses and receivables losses associated with Mac Direct. Excluding these charges, operating margin was 9.0%, versus 13.0%. On May 8, the company lowered its earnings guidance for the second quarter.

Nortek Sales Up 2%; Earnings Decline 42%, to \$6M

Nortek Inc. (Providence, RI) reported post-recapitalization sales for the first quarter, ended April 5, were \$435.2 million, up 1.9%. Net earnings declined 41.5%, to \$6.2 million. The year-ago period includes \$1.2 million in earnings from discontinued operations. Results exclude \$33.8 million in sales and a net loss of \$64.9 million accrued for the eight days ended Jan. 9, when the company was taken private by Keltos & Co. L.P. for \$1.6 billion.

Residential building products sales rose 2.5%, to \$184.5 million; operating earnings were \$27.0 million, down 3.2%. Air conditioning & heating products sales grew 2.6%, to \$151.6 million; operating earnings were \$16.5 million, up 22.2%. Windows, doors, & siding products sales slipped 0.3%, to \$99.1 million; operating earnings declined 69.1%, to \$2.1 million.

Top Home Centers, Co-ops Rank Brands in H/E Survey

Merchandisers at the top home centers and hardware co-ops were asked which brands would drive their summer business. Results reflect the votes received, weighted by respondents' buying power. The study is not a market-share analysis. *(See page 6)*

INDUSTRY NEWS

Kmart's Atteberry Adds L&G; Hunady Departs

Kmart Corp. (Troy, MI), which exited Chap. 11 on May 6, has tapped Rob Atteberry for vp/gmm. He adds lawn & garden hardlines and live goods to his responsibilities over hard home & soft home and DIY; Atteberry assumed responsibility for DIY in March.

Dwight Hunady, divisional vp lawn & garden and car care, has left the company, and his direct reports have been split. Bryan Wheeler, merchandise manager for lawn & garden, now reports to Atteberry. Scott Boquette, merchandise manager for car care, now reports to Joyce Dillon. She was named vp/gmm, adding car care, seasonal, and celebration to her current responsibilities over home electronics & appliances, sporting goods, and toys. Boquette's direct reports include Fred Healy, buyer for hardware & tools, fans, and air conditioners; and Rod Hoffman, buyer for fasteners, shelving, and trash cans.

Atteberry and Dillon report to William Underwood, executive vp sourcing & global operations and interim merchandising chief.

BJ's Sales Up 15%; Net Falls 51%, to \$11M

BJ's Wholesale Club Inc. (Natick, MA) reported sales for the first quarter, ended May 3, were \$1.44 billion, up 15.7%. Total revenues increased 15.5%, to \$1.48 billion. Comp.-club sales increased 5.7%. General merchandise sales declined 2.5%, due to the weak economy and cooler weather in the Northeast.

Net income dropped 51.1%, to \$11.3 million. SG&A expenses increased 20.1%, to \$113.9 million. Results for the recent year include losses of \$1.3 million related to accounting changes and \$149,000 from discontinued operations. The quarter also included an \$814,000 gain to reduce reserves for House2Home lease obligations. House2Home, which used to be part of Waban Inc. along with BJ's, was liquidated in November 2001. The year-ago period reflects a \$1.4 million charge related to lease obligations and a \$379,000 loss from discontinued operations.

As of May 20, the company operated 143 clubs, up from 134 a year ago.

ShopKo Revs. Down 3%; Loss Narrows to \$1M

ShopKo Stores Inc. (Green Bay, WI) posted revenues of \$707.9 million for the first quarter, ended May 3, down 2.0%. The company attributed the decline to weak consumer confidence, the geopolitical climate, competitive openings, and price deflation. Comp.-store sales decreased 2.7%. Net loss narrowed to \$1.1 million, from a loss of \$185.6 million. The year-ago period reflects a \$186.1 million charge for accounting changes.

ShopKo sales slipped 4.5%, to \$530.5 million, while comps declined 4.0%. Pamida sales increased 0.4%, to \$177.4 million, as comps grew 1.8%.

For the second quarter, ending Aug. 2, the company expects comps to decline in the low-single-digit range. Eps is expected to be \$0.25 to \$0.30, compared with \$0.25 in the year-ago quarter. For the fiscal year, comps are expected to fall in the low-single digits, on eps of \$1.40 to \$1.50, versus \$1.12.

Rest. Hardware Sales Up 18%; Net Loss \$5M

Restoration Hardware, Inc. (Corte Madera, CA) posted sales for the first quarter, ended May 3, of \$31.8 million, up 17.9%. Comp.-store sales climbed 11.9%, which includes a 17.6% jump in April. Pres/ceo Gary Friedman said last month's growth was due to the launch of an updated merchandising strategy. Direct-to-customer sales grew 72%, to \$11.3 million.

Net loss was \$5.2 million, versus a net loss of \$7.1 million. Operating loss was \$8.1 million, versus a \$16.6 million loss in the year-ago quarter. Gross profit was 24.4% of sales, up from 15.7%. The company noted improved merchandise margins due to less promotional activity and a shift in merchandise mix to direct sourcing and a higher percentage of textiles. SG&A expenses were 34.3% of sales, versus 39.6%. Lower costs were offset by higher expenses in the direct-to-customer channel. Inventory was \$99.7 million, about \$5 million above plan, up from \$78.0 million. The company said it has cleaned out all excess seasonal inventory and will eliminate excess non-seasonal inventory by the end of the second quarter.

Restoration Hardware projects comp-store sales gains in the mid-single digits and a loss of \$0.09 to \$0.11 per share for the quarter; it posted loss per share of \$0.12 in the year-ago quarter. It will also launch a bath faucets and fittings line in August.

Hillman Sales Rise 10%; Net Loss Widens

The Hillman Cos., Inc. (Cincinnati) reported sales for the first quarter, ended March 31, were \$70.0 million, up 10.3%. Fastener sales to Lowe's represented \$1.5 million of the \$6.6 million increase. The company's sales also included \$4.2 million from Fastenal's DIY business, purchased in October. A \$1.7 million gain in sales to national accounts such as Home Depot and Wal-Mart was offset by a similar decline in sales to members of co-ops such as Ace, TruServ, and Do it Best. Pro forma sales for the year-ago quarter, reflecting the acquisitions of Fastenal's DIY business and Lowe's specialty fastener business from R&B, Inc., were \$69.8 million.

Income from operations was \$5.9 million, up 29.5%. Net loss was \$4.0 million, versus a net loss of \$1.3 million. Net loss for the recent quarter includes a \$5.7 million write-down of a note. Pro forma net loss for the year-ago quarter was \$994,000.

HD Comps Off 2%; Lowe's Posts Flat Comps

(Continued from page 1)

President Robert Niblock noted growth in indoor categories, including rough plumbing, paint, cabinets, home organization, and walls & windows.

During the quarter, Lowe's opened 21 new stores, bringing the total to 875. The company also launched its first 94,000 square-foot small-market prototype store in North Carolina. A second store is scheduled to open in Tennessee this quarter.

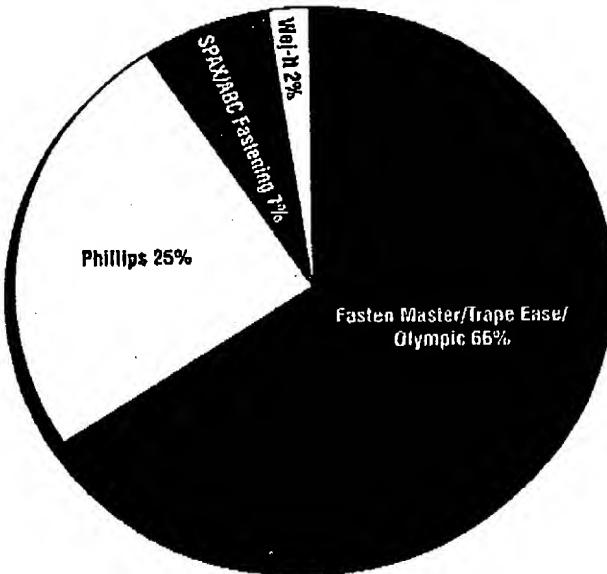
For the year, Lowe's expects sales to increase 14% to 15%, with comps up 3% to 4%; earlier estimates had forecast sales growth of 16% to 17%, and 4% to 5% higher comps. The company reiterated that eps is expected to be \$2.16 to \$2.20, versus \$1.85 in 2002. Chmn/ceo Robert Tillman noted that Lowe's is on plan to open 180 stores this year.

HOME IMPROVEMENT EXECUTIVE (ISSN 0895-5484) is published weekly by Executive Media Corporation, 45 W. 21st Street, New York, NY 10010-6865. (212) 989-4913. Subscription Rate: \$250 per year in the United States and Canada. Periodicals postage paid at New York, New York and additional mailing offices. Contents copyright © 2003, Executive Media Corporation. No item or portion thereof may be reproduced without written permission of the publisher. Postmaster: send address changes to Home Improvement Executive, 45 W. 21st Street, New York, NY 10010-6865.



BRANDS ANALYSIS

Home Center Chains/Hardware Co-Ops: Which brands do you perceive as driving your business this summer in... .



COMPOSITE DECK FASTENERS

YOU NAME THE COMPOSITE DECK .

Trex

EVERGRAIN

Boardwalk